

Message Text

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ACTION EUR-12

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COME-00 DODE-00 EB-08 DOE-11 H-02 INR-10 INT-05
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FM AMCONSUL HALIFAX

TO SECSTATE WASHDC PRIORITY 2062

INFO AMEMBASSY OTTAWA

UNCLAS HALIFAX 0120

E O 11652: N/A

TAGS: EALR ENRG CA FR

SUBJECT: NEWFOUNDLAND S OIL AND GAS REGULATIONS:

SHELL AND TEXACO ACCEPT

REF: HALIFAX 0114

1. SHELL CANADA RESOURCES LTD, A PARTNERSHIP OF SHELL CANADA LTD AND TEXACO CANADA LTD, HAS ACCEPTED NFLD S UNILATERALLY-DECLARED OIL AND GAS REGULATIONS AND PLANS DRILL OFF NORTHEAST COAST OF ISLAND, BEGINNING IN 1979. COMPANY IS COMMITTED TO DRILL A MINIMUM OF SIX WELLS OVER THE SEVEN-YEAR LIFE OF THE PERMITS AND CAN EXERCISE TWO THREE-YEAR EXTENSION OPTIONS IF IT WISHES TO RETAIN ALL ITS ACREAGE. JUBILANT ENERGY MINISTER BRIAN PECKFORD WAS REPORTED (MAR 2 HALIFAX CHRONICLE-HERALD) TO HAVE SAID THAT "PRODUCTIVE" TALKS CONTINUE WITH OTHER COMPANIES AND THAT HE HOPES TO MAKE ANNOUNCEMENTS OF THEIR ACCEPTANCES OF THE REGULATIONS SOON.

2. RELIABLE SOURCE HAS INFORMED CONGEN THAT COMPANIES MOST LIKELY TO ACCEPT REGULATIONS NOW THAT SHELL-TEXACO HAVE BROKEN THE ICE ARE MOBIL AND IMPERIAL. MOST UNCLASSIFIED

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ADAMANT AGAINST AGREEING TO ACCEPT NEW REGULATIONS, SOURCE SAID, ARE BP AND EASTCAN, DESPITE STATEMENTS BY PREMIER MOORES (REFTTEL) INDICATING POSSIBILITY HE MIGHT "SWEETEN" REGULATIONS SUFFICIENTLY TO LURE EASTCAN INTO THE FOLD. SUCH SWEETENING, SOURCE INDICATED, WOULD NOW BE MOST DIFFICULT TO ACCOMPLISH IF IT MEANT AWARDED EASTCAN APPRECIABLY MORE FAVORABLE

TERMS THAN THOSE GIVEN TO SHELL-TEXACO.

3. NOTING THAT EASTCAN IS ESSENTIALLY CONTROLLED BY THE FRENCH GOVERNMENT, SOURCE STATED HIS BELIEF THAT REFUSAL TO ACCEPT NEW PROVINCIAL REGULATIONS WAS A DECISION MADE NOT BY THE OIL COMPANIES CONSTITUTING THE EASTCAN GROUP BUT BY THE GOF. IN HIS OPINION, EASTCAN S CONTINUED UNWILLINGNESS TO AGREE TO THE REGULATIONS IS EITHER BECAUSE THE GOF CONSIDERS THEM SOMEHOW AN AFFRONT TO THE SOVEREIGN DIGNITY OF FRANCE OR BECAUSE THE DECISION-MAKING ENTITY WITHIN THE GOF REALLY DOES NOT UNDERSTAND FULL THE CANADIAN FEDERAL-PROVINCIAL RELATIONSHIP.

MOORE

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